



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

**Date:** 2/1/2008

**GAIN Report Number:** CH8009

## China, Peoples Republic of

### Agricultural Situation

## Devastating Storm Impacts Agriculture and Transportation Channels

**2008**

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**Report Highlights:**

On the week of January 27, unprecedented storms in central and southern China had a direct adverse impact both to the planted area of many agricultural crops and an indirect impact due to problems with transportation, electricity and storage. A combination of seasonally high prices, due to the upcoming Chinese Lunar New Year, and the recent inflationary situation in food prices will further hit consumers. The fruit and vegetable sector is the most affected followed by the rapeseed crop in Hunan and Henan provinces.

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Includes PSD Changes: No

Includes Trade Matrix: No

Annual Report

Beijing [CH1]

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**Summary**

China experienced its worse winter storms in 40 years. The natural disaster took claim of roads, railways and lack of access disrupted supply distribution channels in cities and villages in remote areas. Weather damaged or destroyed crops and transportation delays have resulted in food shortages on store shelves and price increases of over 100 percent in some of the 12 Southern Chinese provinces hit by the storm. The storms paralyzed transportation in highways and railways and with frozen power grids in some parts of Southern China some communities have no access to electricity. According to several media outlets, the damage toll is at \$5 billion.

Additionally, with more than ½ million travelers stranded in Southern China, local and provincial governments have stepped up disaster relief. Food prices for most goods have witnessed a slight increase with the fruit and vegetable sector expected to react immediately with higher prices. Short grain supplies and animal diseases have driven up food prices over the last year although the federal authorities have implemented specific price controls for staple goods. Consumers expect seasonally inflated prices with Chinese New Year only a couple of days away.

**Livestock and Poultry Situation**

Livestock and poultry was greatly threatened by the prolonged snow, rain and cold weather. Seventeen provinces, municipalities and autonomous regions have suffered blackouts, and power grids in central China's Hubei and Hunan provinces and south China's Guizhou and Guangdong provinces had been seriously damaged. Power disruptions and coal shortages have caused and will continue to cause problems for the animal and poultry farms. Problems with railway transportation are impacting feed and movement of pigs. According to a report released by China's Ministry of Agriculture (MOA), thus far, nearly one million pigs (874,000), 85,000 cattle, 459,000 goats and/or sheep and 14.4 million poultry died in this period due to extreme weather conditions.

Because the southern China harbors are the most populous places for swine and poultry production, on the animal and poultry industry will be slow to recover from these losses. Animal health will also concern the industry. Meat prices are expected to remain at high levels similar to the second half of 2007.

**Grains Situation****Wheat**

As for grain production, because cross-winter grain crops are mainly located to the north of Yellow and Huai rivers, winter wheat, for example, has not been affected that much. According to official reports by MOA and provincial authorities the heavy snow fall in Henan and Hubei province, China's wheat planted area, will not be adversely impacted. The report notes that better soil moisture is optimal in this stage of the harvest and the lower temperatures are advantageous to disease and pest controls. However, some analysts say that if the cold weather and heavy snowfall persists, could be affected.

**Cotton Situation**

No significant impact to the crop or planted areas in Shandong, Hebei and Jiangsu. However, indirectly the textile industry could face shortages in supply due to transportation constraints. Northern Anhui Province, China's textile capital is amongst the heaviest hit provinces by the heavy snowfall, icy roads, and railways not in operation.

**Oilseeds Situation**

In lower and middle reaches of Yangtze River, oilseed crops have been affected quite seriously by the snow. The overall impact on grain production is still pending as spring plantation has not started in the country and actual impact will be determined later on how

the whether conditions will develop, specifically how long the disastrous snow will last and whether it will move to the north.

### **Rapeseed**

There is expected to be serious damage to the spring 2008 Chinese rapeseed crop. While reports suggest that the temperatures in the main central China growing locations did not hit winterkill levels of -5 Celsius or below long enough to cause damage, the majority of growing areas will have physical damage to the plants due to rain, sleet, snow, and ice. The extent of this damage will be difficult to assess until the plants can be evaluated and spring flowering commences. Flooding is not an immediate concern because rapeseed is not usually planted in the lowest sections of fields because it is not that water intensive. Severe flooding later in the winter/spring could further impact affected locations. It seems unlikely that rapeseed would be replanted due to the need to maintain the summer crop rotation for more profitable staple row crops.

Chinese producers had hoped that 2007/08 would be a rebound year for planted area, yield, and overall production. Planted area was up slightly. However, the current storms will result in lower harvested area and yield to approximately 12 MMT crop harvested in 2007, itself a below average year. The low 2006/07 crop impacted the overall supply of oilseed meals and oil on the market and was a significant force in pushing soybean imports up. At this point, it is a similar situation is expected in 2008. Moreover, another poor rapeseed harvest or financial losses due to plant damage may cause more farmers to abandon rapeseed as a winter rotation. In the 2007 crop tour by AgBeijing to Henan and Hunan, many farmers complained of poor returns and government officials complained that significant areas of land were fallow in winter due to the difficulties of rapeseed growing.

### **Horticultural Products Situation**

#### **Citrus**

While it's still too early to accurately estimate the impact of the storms on China's citrus, AgBeijing contacts report that some young citrus trees in Jianxi province died from the cold. The upside is they are not yet fruit bearing trees so it shouldn't impact yearly production in the short run. Hunan, Hubei, Guangdong, and Chongqing are all being hit by the storm and are anticipating damage to mature orange and mandarin trees. According to contacts, Jianxi is estimating a 10-15 percent decrease in China's MY 2008/09 citrus production as a result of the storms. Jianxi, Hunan, Hubei, and Guangdong provinces, as well as Chongqing Municipality are China's major citrus producing areas.

#### **Vegetables**

The State Council recently held a press conference on agricultural and rural policies. Chen Xiwen, Head of the Central Government's Leadership Panel on Rural Work addressed the media on the impact of the recent snow disaster in Southern China on grain crops. Many cross winter crops are in Southern China and the impact of the snow on winter crop production is very serious, especially for fresh vegetables.

The great concern for winter vegetables is transportation. In Liaoning province, an estimated 500,000 tons of vegetables will rot before they can reach consumers. The same is true in the southern provinces, where most of China's vegetables are produced.

#### **Tree Fruit and Stone Fruit**

The recent snow eased the spring drought in most northern provinces. Liaoning, the largest stone fruit producing province located in Northeast China received 36 millimeters of precipitation in Shenyang city, 56 mm in Dalian city, and 78 mm in the worst-hit city of Anshan, providing 6 billion cubic meters of water to the province. The snowfall brought Liaoning province the equivalent to six reservoirs of water "a godsend to the arid farmland,"

said Provincial Meteorological Bureau Zhang Lixiang. On the other hand, however, the provincial agricultural department reported the storm destroyed the equivalent of 10,000 hectares of indoor grain, vegetable and fruit and cost Liaoning province at least \$12.8 million in losses of revenue.